



City of Rowlett

Special Work Session Minutes

City Council

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Tuesday, January 11, 2011

6:30 P.M.

Municipal Building – 4000 Main Street

As authorized by Section 551.071 of the Texas Government Code, this meeting may be convened into closed Executive Session for the purpose of seeking confidential legal advice from the City Attorney on any agenda item herein.

The City of Rowlett reserves the right to reconvene, recess or realign the Regular Session or called Executive Session or order of business at any time prior to adjournment.

Present: Mayor Harper, Mayor Pro Tem Gottel, Deputy Mayor Pro Tem Jackson, Councilmember Phillips, Councilmember Davis, Councilmember Kilgore and Councilmember Gallops

1. CALL TO ORDER

Mayor Harper called the meeting to order at 6:30 p.m.

2. WORK SESSION ITEM (6:30 P.M.)

2A. Discuss Employee Retirement, Health and other benefits.

Mayor Harper turned the meeting over to staff for their presentation.

Staff reviewed the listing of items from the November Special Work Session:

What Does Council Want To Achieve?

- Fair* but sustainable Long-term
 - *To taxpayers, Councils, employees – past, present and future
- Employee Involvement/Investment in the process
- Ensure we've looked at all options
- Leave future Councils with City in good financial position
 - Total transparency
 - Total open process

- Most cost effective plan while remaining competitive (within our geographic area)
- Determine which positions can be competitive among cities and private sector (*determined at the November meeting that it would not be cost effective to pursue comparisons with the private sector*)
- Offer choices to employees that meet their individual needs (don't pay for something they don't need)
- Keep documentation on process for future Councils

Items can be added to this list anytime during the Work Session. Challenges for the Council include the right balance with declining revenues. Property tax valuations continue to decline. As a service organization, what are the right services and programs to offer the City's citizens.

Staff made a presentation in two parts, the first was employee benefits and then more information on the Texas Municipal Retirement System (TMRS). The following benchmarks requested by Council were included in the survey with comparison cities:

1. **Health Benefits** (Health/Prescription Drug Insurance and Dental Insurance), additional information requested is the cost to the employee and to dependents and what is the percentage subsidy to employees and to families, in addition to the co-pay and deductibles for both health and dental. **Findings:** The City of Rowlett is comparable to the public sector market but is not rich in the benefits provided.
2. **Retirement Benefits** (TMRS and Retiree Medical Premium Contribution) the current comparisons presented are adequate at this time. **Findings:** The City of Rowlett is competitive with 40% of the respondents providing medical contributions for retirees.
3. **Time-off Benefits** (Vacation Leave and Sick Leave), additional information in the survey is to ask for their pay-out provision policy, carry-over time with regard to vacation, and are we competitive in military pay. **Findings:** The City of Rowlett is competitive in all time-off benefits including being competitive with military leave and military supplement salary benefits.
4. **Income Protection Benefits** (Life Insurance, Long-Term Disability Insurance and Workers Compensation Supplemental Salary), the information requested is to ask what is standard regarding Income Protection Benefits. **Findings:** The City of Rowlett is competitive in this area.
5. **Direct Pay Benefits** (Longevity Pay, Clothing Allowance, Auto Allowance, Certification Pay and Service Award Pay), additional information requested is all "direct pay" benefits paid in the comparison cities. **Findings:** The City of Rowlett is competitive with direct pay benefits.
6. **Other Benefits** (City Provided Cell Phones), additional information is from a contract perspective. **Findings:** The City of Rowlett is competitive with 80% of the respondents providing cell phones to employees.

Twenty-five responding cities were reflected in the presentation. A question was asked if the calculations were based upon budget for the cities or their contributions. The answer is the budgeted costs. A question regarding Social Security was asked and answered that it does make a difference and we would be closer to the median amounts on the chart if we were a Social Security participating city. In making the comparisons, the highest deductible plan was

compared to the highest deductible plans for the participating cities. Staff responded to the question regarding which benefits are used in the TMRS calculations and which ones are not included.

Lewis Ward of Gabriel Roeder Smith & Company, did the next portion of the presentation. He explained the increasing numbers of City employees eligible for retirement over the next five years and why the number of retirees is increasing so rapidly. He explained some of the possible changes and the effects on the current employees and upon the retirees. Cost of Living Allowances (COLAs) and Updated Service Credits (USCs) were discussed and questions answered regarding possible changes made in those areas. Various saving scenarios were discussed with different changes being made to the TMRS benefits.

The challenge is how to arrive at the correct answers. Additional changes to operation include some reduction in force and the budget is to be reviewed and scrubbed. Reduction in force will begin to impact services and the citizens should have a voice in those reductions, so steps are being taken to engage the citizens in a survey called My Community, My Money, My Choice. Until the tax estimates are available in July, we really don't have the answer. President George Bush Turnpike (PGBT) is finally coming to Rowlett but it is still unknown as to when and how much that will change the tax base. Fleet is becoming more obsolete. Technology continues to change and our citizens want us to be able to communicate in this fashion. Facilities have to be maintained. Salaries and benefits are being discussed. The Cash Capital Improvement Projects (CIP) is very important but the right amount to fund the CIP has to be determined. Infrastructure (debt finance) bond capacity, presents the question if it should be saved or used. What policies should be approved by Council when addressing these various needs?

Councilmembers made several remarks regarding the economy and how the private sector has left the retirement system almost altogether. Costs continue to increase in all areas. Someone will lose in this situation, the employees, the retirees, and/or the citizens. Three main questions, is the City competitive, what is fair to current employees and retirees, and what can the City afford? Reduction in services or increase in taxes, where is the balance? Other comments included fairness to all employees in order to become educated to know what is best to do. One concern is to remain competitive especially with hiring employees with key skill sets balanced with what the City can afford. Help from the Legislature is probably not possible this year. Some of the Councilmembers are open to talking to employees or groups of employees to know their thoughts. The budget shortfall cannot be done on the backs of the employees and in looking at the facts, it will be a difficult balancing act. Everything needs to be on the table to be reviewed. It is not an exercise in just cutting the budget but in reviewing the hierarchy of government needs, which have to be considered. The bottom line is that a solution cannot be reached that will please everyone. Sustainability is critical. Growth in the tax base is the ultimate solution but not without investments. But growth is slow and the only answer left is cutting the budget.

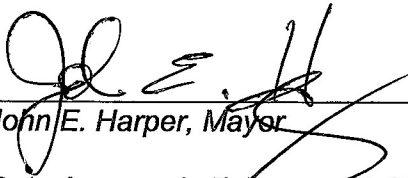
Input is needed from employees before the March 19, 2011 meeting. Expenses must be reviewed and Council expressed the desire to have a February Work Session meeting to discuss "what-if" scenarios. The March meeting is a mid-year budget discussion and the benefit

portion was to be discussed early in the event of negative impacts which might occur. The Executive Team has been challenged to scour the budget for any funds that might be available to help retain employees. In the event of needed reductions in the 2013 budget, the answers from the sustainability citizen survey would be reviewed. What are the employees hierarchy of benefits and what are the employees willing to cut? The challenge is real and will be very difficult. Sustainability is being sought by Council. Which expenses need to be reduced? What are the priorities of the employees, are they willing to look at all benefits, sick leave, vacation leave as well as retirement benefits? Ideas might be offered by the employees to save money. A five-year model has been provided and it was suggested it be increased out longer than five years. The budget's bottom line is slim and without much wiggle room. The benefits bottom line is the City stops being competitive if too many changes are made. Competitiveness is a moving target. Doing something different for new employees that is different from current employees was also discussed. Two tiered systems might be something available in the future depending on the Legislature.

The February meeting is to discuss benefits and the CIP. The date for the Special Work Session was tentatively scheduled on Monday, February 28, 2011.

3. ADJOURNMENT

Mayor Harper adjourned the meeting at 8:11 p.m.



John E. Harper, Mayor
Date Approved: February 15, 2011



Susie Quinn, City Secretary